

Toyota Exec Sees More Manufacturing In N. America

Tom Krisher, AP Auto Writer

TRAVERSE CITY, Mich. (AP) — Toyota's top U.S. sales executive predicts that his company will add jobs and build more models in North America as a hedge against a strong yen.

Jim Lentz, president and CEO of Toyota Motor Sales U.S.A., said Toyota already makes around 70 percent of the models sold in North America in the region. He sees that percentage continuing to grow.

"With the yen where it is today, I think it's only a matter of time," Lentz told reporters Wednesday at an auto industry conference outside of Traverse City, Mich.

Toyota Motor Corp. has been hammered by the strong yen, putting extra pressure on the automaker to stay lean and come up with new innovations. A strong yen cuts into overseas earnings for all Japanese automakers, and makes it harder to offer products at cheaper prices abroad. It takes just 78 yen to buy a dollar, fewer than the 100 yen it took in 2009. It's a sign of the currency's growing strength against the greenback, and a tough trend for Japanese manufacturers.

So in the past eight months, the world's top automaker has announced it would hire 3,500 workers in North America and invest \$1.6 billion in its factories here.

"The hedge against currency is to build cars where you sell them," he said.

Lentz said further investment depends on the value of the yen, sales and the ability of Toyota to engineer and design vehicles in the U.S.

Toyota isn't alone in moving research and production to North America. Honda announced at the conference that engineers in the U.S. would lead development of the next-generation of Civic compact cars.

Honda builds in North America more than 85 percent of the vehicles it sells in the region. About 30 percent of its North American model lineup was developed here, said Erik Berkman, the company's president of research and development for the Americas. North America leads development of all Acura vehicles and all light trucks, including the Honda Ridgeline and Pilot, he said.

The company has a product development research center in Raymond, Ohio, near Columbus.

Toyota already builds 12 Toyota and Lexus models in North America, including the top-selling Camry and popular Corolla. Its new Avalon large sedan was engineered

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and designed near Ann Arbor, Mich., and the company expects more models to be designed in the U.S., where it employs about 30,000 people.

The company doesn't have firm plans to shift production of more models from Japan to North America, he said. But one model Toyota would consider building here is the Lexus ES series.

Toyota, like other manufacturers, would make changes to squeeze more production out of existing plants rather than building new buildings, he said. A new plant costs about \$1 billion, Lentz said.

Toyota still thinks automakers can sell 14.3 million vehicles in U.S. this year, he said, even though sales have slowed the past two months, and some analysts have cut their forecasts. But Lentz said pent-up demand should prop up sales. The average vehicle in the U.S. is nearly 11 years old, and people have to replace their aging rides.

Toyota, he said, has fully recovered from the March 2011 earthquake and tsunami that hobbled its Japanese factories and caused model shortages worldwide. In the U.S., the company's dealer inventory dropped to around 120,000 vehicles last summer. Now it's back to 299,000, which is near the 300,000 that Toyota considers optimal.

Lentz also said discounts are starting to surface in the luxury market, which has dropped to around 10 percent of total U.S. sales this year. Normally it's around 12 percent, he said. But although discounts may rise, Lentz doesn't think an all-out price war will break out.

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